

State Employee Benefits Advisory Council Meeting
March 7, 2013
Statewide Benefits Office
Dover, Delaware

The State Employee Benefits Advisory Council met on March 7, 2013 in the Statewide Benefits Office, 500 W. Loockerman St., Suite 320, Dover, Delaware. The following Council members and guests were present:

Faith Rentz, OMB, SW Benefits,
Deputy Director
Pat Griffin, Chair, SEBAC, AOC
Marsha Carson, SEBAC, DOS
Judy Anderson, DSEA
Mary Cooke, SEBAC, DOE

David Wright, SEBAC, DSEA
Dawn Davis, OMB, SW Benefits
Dave Leiter, DHSS
Kristin Dwyer, DSEA
Rich Phillips, DSEA-Retired
Paula Roy, Roy Assoc.

Ms. Griffin called the meeting to order at 3:15 p.m.

Approval of Minutes – (handout)

Ms. Griffin asked for a motion for approval of the February 21, 2013 minutes. Ms. Cooke made the motion with the addition of ‘SEBAC’ to be included after David Wright and her name on the list of council members and Ms. Carson seconded the motion. Upon unanimous voice vote the minutes were approved.

Update of SEBC Activities

Ms. Rentz explained that the primary discussion at the SEBC meeting scheduled for Monday, March 11, will be the expenses, revenue and FY2014 planning. It was presented at the last SEBC meeting that the deficit gap had decreased from \$36 to \$12.5M based on the most recent projections. The FY2014 planning presentation was distributed to the SEBAC members and guests and Ms. Rentz asked for questions or comments.

Ms. Griffin asked how the deficit was reduced. Ms. Rentz explained Segal’s annual process of looking at the past claims experience and refining projections as further data becomes available. Due to the actuaries’ less conservative approach, trend assumption at 5.50%, and the Governor’s contribution, the gap was reduced to \$12.5M. The Committee will be asked to vote on any premium increases and/or plan design enhancements or changes to close the deficit gap at the March 11, 2013 meeting. Ms. Cooke commented that a minimal premium increase is imminent because of House Bill 81. Ms. Carson asked if the \$15.4M from the Governor can go towards increasing the health fund surplus. Ms. Rentz confirmed that it must be used to help pay the cost of premiums.

Ms. Griffin stated that at the last SEBC meeting there was some confusion and discussion around the reserve and surplus funds. Ms. Rentz commented that the reserve is set aside for emergencies and should not be used to close the gap. The total of approximately \$61M consists of reserve only. Ms. Rentz agreed that there was considerable discussion around the current minimum reserve and the Insurance Commissioner’s request that the SEBC evaluate the impact of increasing the Risk-Based Capital minimum reserve from 205 to possibly 210 percent. Further discussion on the topic will take place at the SEBC meeting scheduled for March 25, 2013.

Some discussion continued amongst the SEBAC members and guests regarding reserve versus surplus, the claims trend percentage reduction and how much surplus is necessary. Ms. Rentz pointed out that the state does not purchase stop loss insurance so it is important to maintain sufficient funds in case something catastrophic happens. Millions can be spent on treatment for some employees and/or pensioners.

All agreed that the Committee will probably decide on Option C, to use the surplus, to fund the gap. Ms. Rentz explained that the presentation for the Committee will include a pie chart to help illustrate the funding shortfall. The total needed is \$37.2M. Of that amount, \$21.3M is the employer share, \$3.4M is employee share and the surplus would close the remaining gap of \$12.5M. The percentage split is as follows: 57.3% employer, 9.1% employee and 33.6% surplus.

Ms. Rentz anticipates that the Committee will make decisions and vote on the premium costs and any plan enhancements or changes for FY2014 at the March 11, 2013 meeting. Decisions must be made no later than March 25, 2013 so that we can finalize materials in preparation of Open Enrollment in May.

SEBAC Comments to SEBC

- SEBAC supports the proposed amended rule changes.
- SEBAC supports adoption of the following enhancements for FY 2014: generic copay waiver campaign and the implantable contraceptive coverage on Aetna HMO plan and recommends that SEBC give serious future consideration to implementing payment for 100% of preventive services on grandfathered plans, should the end of year surplus allow.
- SEBAC supports Option C (using a portion of the projected FY 2013 year end group health fund balance), to close the projected deficit for FY 2014.
- SEBAC supports continuing the Delawell incentives, and further supports expanding the wellness initiatives to apply to Medicare-eligible retirees to the fullest extent possible, possibly including incentives for them.

Other Business – Group Health Insurance Plan Eligibility and Enrollment Rules

Ms. Rentz commented that after much internal discussion there are no proposed changes to item 5.14 as it pertains to the refund periods. Section 5.14c addresses refund of premiums for an ineligible dependent such as an ex-spouse or over age 26 adult child. Refund period beyond 60 days is not being proposed because federal law requires that terminated members be advised of their rights with regards to COBRA continuation within 60 days. Also, claims paid by the health care carriers can only be reprocessed within 60 days of the date of service.

It is recommended that Item 5.21 in regards to collection period be changed from a three year collection period to a one year collection period.

Public Comment

Mr. Phillips, DSEA, R, asked if those over age 65 would be able to participate in DelaWELL. Ms. Rentz stated that the cost to extend DelaWELL services to the over age 65 pensioners would be \$1.0M. The cost for employees and pensioners under age 65 is currently \$2.0M. The state pays 20% of health care costs; Medicare covers 80% for this population. The Affordable Care Act has added 100% preventive services and other similar benefits for Medicare recipients. It would not be wise from a financial stand point to provide DelaWELL eligibility to those on Medicare. Ms. Griffin commented that it will be good when all the benefits of the Affordable Care Act are communicated. She asked if DelaWELL would be able to offer items that will not be covered by the Affordable Care Act. Ms. Rentz stated that DelaWELL will be extending seminars to Medicare eligible pensioners next plan year and offered to speak to Mr. Phillips in more detail about what is available through Medicare at the close of the meeting.

Ms. Griffin advised that SEBAC will meet next on March 21, 2013, and asked for a motion to adjourn. Ms. Cooke made the motion and Ms. Carson seconded the motion. Upon a unanimous verbal approval, the meeting adjourned at 4:32 p.m.

Respectfully submitted,

Dawn M. Davis
Secretary
Statewide Benefits, OMB